SUPREME COURT, U. S.

No. 209

JUL 12 1968

JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1968

MARCAN PRODUCTS CORPORATION, MARSHALL CONTROL PRODUCTS CORP., HUGH A. MILLS, RONALD R. MARSHALL, and DAVID E. GOLDING,

Petitioners,

v.

THE A. H. EMERY COMPANY,

Respondent.

RESPONDENT'S MEMORANDUM IN OPPOSITION TO A PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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The Respondent, The A. H, Emery Company, asserts that the Petition For A Writ of Certiorari to review the Judgment of the United States Court of Appeals for the Second Circuit should be denied on the following grounds:—

1. Petitioners merely seek to have this Court review the concurrent findings of two lower courts.
2. The Trial Court properly exercised jurisdiction under 28 USC § 1338(b).
3. There are no facts which give rise to a question of unclean hands in this case.

STATEMENT OF THE CASE

The Petitioner Mills, after being discharged for cause by Respondent, thereafter sought out the other Petitioners to compete with his old employer. Petitioner Mills attempted to hire key employees of Respondent and succeeded in inducing an ex-Emery draftsman, one Northrop, to duplicate Emery drawings of the hydraulic load cell, Respondent's principal product. Mills paid the draftsman for this breach of confidence and delivered the drawings to other Petitioners, enabling them to make and sell identical load cells in competition with Respondent, all without proven effort or any material financial expenditure.

Shortly thereafter this suit was brought against the Petitioners, the causes including breach of confidential relationship, theft of trade secrets and patent infringement. Since the Petitioners' device was a copy of the Respondent's patented device Respondent included the patent in the suit as one cause of action, but certainly not the principal one.

Near the end of a long discovery period Respondent's counsel discovered that the patented device had been publicly used more than one year prior to the patent filing date.

Respondent's counsel promptly disclosed such use and sent copies of pertinent papers to Petitioners' counsel. The Trial Court cited this disclosure as being done with "commendable frankness" (App. 47a).

Shortly thereafter there were several pre-trial conferences held at which Respondent offered to withdraw the patent cause (App. 52a). Petitioners insisted that the patent issues remain in the case, clearly for bargaining purposes, and demanded a judicial determination of invalidity. During these pre-trial conferences the question of jurisdiction was discussed at some length. Respondent's counsel pointed out to the pre-trial Judge that if the patent were dropped only one of the Petitioners, Mills, would have to be removed from the case for lack of diversity; there was diversity with respect to all other defendants. Thus, even with the patent removed from the suit there would have been little difficulty in retaining the case in the District Court; this was noted by the Court of Appeals (App. 16a, fn. 11). The question of patent validity was thus mooted, but the patent issues remained in the case because of Petitioners' counterclaim of patent invalidity (App. 2a, 12a-13a, 24a).

At the trial the principal defense by Petitioners was a denial of the use of the drawings made by the ex-draftsman of Respondent. On this and several other important aspects of the case it was shown, and the Court found, that the Petitioners had presented false testimony. In the Trial Court's opinion the incredibility of several of Petitioners' important witnesses is noted (App. 25a, 31a, 33a, 35a, 41a); it was also found that important documentary evidence had been altered (App. 33a).

Because of the admitted prior use the patent was held invalid and was promptly disclaimed by Respondent. The Court held the Petitioners liable for misappropriation of Respondent's trade secrets and awarded an injunction and damages to Respondent (App. 18a-20a).

The Petitioners then sought to introduce additional evidence regarding the patent as an afterthought "unclean hands" defense. After further hearing the Court found no evidence of unclean hands (App. 54a) and specifically found that the Respondent and its counsel had acted in complete good faith with regard to the patent (App. 50a, 51a, 53a).

ARGUMENT

Petitioners Merely Seek To Have This Court Review The Concurrent Findings Of Two Lower Courts

The "Questions Presented" on page 2 of the Petition are misleading and incorrect and not based on any Findings or Conclusions of the Courts below. It is apparent that Petitioners are not accepting but are in fact challenging the facts as found by the Courts below despite the statement to the contrary in footnote 1 of the Petition.

It is clear that the Trial Court properly exercised jurisdiction under 28 USC § 1338(b) giving full consideration to the criteria previously set down by this Court in *United Mine Workers of America* v. *Gibbs*, 383 U.S. 715 (1966) (App. 15a-16a, 22a-25a).

The Trial Court in deference to Petitioners, and not to Respondent, received evidence on the patent in suit (App. 2a, 12a-13a, 24a). Further, the Courts below specifically found that Respondent was not guilty of unclean hands (App. 10a-11a, 54a). There is no question of patent misuse in this case. Still further, the Courts below found that the infirmity of the patent was inadvertent (App. 8a-9a, 50a) and that its inclusion with the trade secrets cause was in complete good faith (App. 11a-12a, 51a). There

was no evidence or finding that anything was "concealed" from the Patent Office (App. 53a). There is also no basis for Petitioners' assertion that Respondent "knew" the scope of the patent (App. 53a).

The patent cause was "maintained" in the litigation by the Petitioners not by the Respondent (App. 2a, 12a-13a, 24a). At several Pre-Trials the Respondent attempted to eliminate the patent from the suit only to have the Petitioners insist that it remain in the case. Petitioners fought to maintain the patent issues simply as a "strawman" to obscure the real issue i.e., did they steal confidential information. Both Courts below have held that they did.

Thus, the questions presented by Petitioners are not based upon findings of fact of the Courts below; they do not and cannot present questions of law for this Court to consider.

The Trial Court Properly Exercised Jurisdiction Under 28 U.S.C. § 1338(b)

As discussed in footnote 11 by the Court of Appeals (App. 16a) the Complaint could have been amended to provide diversity jurisdiction by dropping Mills as a party, if the patent issues were dismissed. Thus, the case could have remained in the District Court without the exercise of pendent jurisdiction. Petitioners' insistence on retaining the patent for judicial determination of their counterclaim on invalidity provided the federal jurisdiction. Even if the patent cause had been dismissed, the Trial Judge found that too much time and effort had gone into the case to warrant a dismissal (App. 25a).

As in *United Mine Workers of America* v. *Gibbs*, 383 U.S. 715 (1966), the exercise of jurisdiction here was discretionary on the part of the Trial Court, and all of the elements of "judicial economy and convenience and fairness to litigants" were present (*Gibbs* case p. 726).

There Are No Facts Which Give Rise To A Question Of Unclean Hands In This Case

Both Courts below specifically found that the Respondent here had acted in "good faith" (App. 51a) with "commendable frankness" (App. 47a, footnote) and that Respondent's principal witness was "an honest man" (App. 50a) after finding precisely to the contrary as to the Petitioners (App. 25a, 31a, 33a, 35a, 41a). The Petitioners' arguments and characterizations are contrary to the evidence and the findings of both Courts below. Petitioners have cloaked the decisions below in a misleading treatment of "facts" that are false and which were simply not found by the lower Courts.

Petitioners rely on *Keystone Driller Co.* v. *General Excavator Co.*, 290 U.S. 240 (1933) and *Precision Instrument Mfg. Co. et al.* v. *Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945). Petitioners have chosen to focus on the combination of trade secret and patent causes here, in applying those cases. This too is misleading, since the principal distinguishing factor, as held by the Court of Appeals here, is that in both of the *Keystone* and *Precision* cases there was *willful* and *intentional deceit* or *fraud* as a basis for denying relief. There are no such facts in this case. These very same cases were clearly distinguished by the Court of Appeals (see App. 10a).

Petitioners, in an attempt to bring policy considerations into play, suggest that "forum shopping" may result from the decision of the Appellate Court in this case. The argument is specious in the extreme because there were *no facts* established here to warrant any defense of unclean hands.

The Courts below recognized that an employee has a duty not to misappropriate confidential information of his employer. Certainly the equitable defense of unclean

hands was never intended to excuse acts which constitute nothing less than theft. It was recognized by the Courts below that no such defense exists here.

Thus, Petitioners have relied on mischaracterization and actual mis-statements of "facts" found by the Courts below. There is no "unclean hands" defense here because there has been no finding of wrongdoing by Respondents as there was in the *Keystone* and *Precision* cases.

There is clearly no issue of law as to either jurisdiction or a defense of unclean hands.

CONCLUSION

For the foregoing reasons Respondent submits that the Petition For a Writ of Certiorari should be denied; such action is respectfully requested.

Respectfully submitted,

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Attorney for Respondent

Of Counsel:

RONALD J. ST. ONGE
CHARLES I. SHERMAN

CERTIFICATE OF SERVICE

This Memorandum has been served on Petitioners' attorneys by mailing three copies thereof to Hopgood and Calimafde at 60 East 42nd Street, New York, New York 10017.

JOHN C. BLAIR
Attorney for Respondent